

**FOX VALLEY COMMUNITY SCHOOL DISTRICT
MILTON, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2004

**Peak & Gerdes, LLP
Certified Public Accountants
103 Benton Avenue East
Albia, Iowa 52531**

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Fox Valley Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>EXPIRES</u>
<u>Board of Education</u> (Before September, 2003 Election)		
Monty Chaplin	President	2005
Terry Jester	Vice-President	2005
Alton Mast	Board Member	2003
Andrew Cochenour	Board Member	2003
Sandra McLain	Board Member	2003
<u>Board of Education</u> (After September, 2003 Election)		
Monty Chaplin	President	2005
Terry Jester	Vice-President	2005
Alton Mast	Board Member	2004
Andrew Cochenour	Board Member	2004
Sandra McLain	Board Member	2006
<u>School Officials</u>		
Jerry Knoll	Superintendent	2004
Teresa Garmon	District Secretary and Treasurer	2004
Rich Gaumer	Attorney	2004

Fox Valley Community School District

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CERTIFIED PUBLIC ACCOUNTANTS
103 BENTON AVENUE EAST
ALBIA, IOWA 52531

(641) 932-3295

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Fox Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fox Valley Community School District, Milton, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fox Valley Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principals.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Fox Valley Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2004 on our consideration of Fox Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fox Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP
Certified Public Accountants

September 17, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fox Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$1,503,832 in fiscal 2003 to \$1,439,309 in fiscal 2004, and General Fund expenditures increased from \$1,180,861 in fiscal 2003 to \$1,285,842 in fiscal 2004. The District's General Fund balance increased from \$140,294 in fiscal 2003 to \$293,761 in fiscal 2004, a 109% increase.
- The decrease in General Fund revenues was attributable to a decrease in state and local grant revenue in fiscal 2004. The increase in expenditures was due primarily due to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the beginning balance was greater than the District's prior year negative beginning fund balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fox Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fox Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fox Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the school district.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Fox Valley Community School District Annual Financial Report

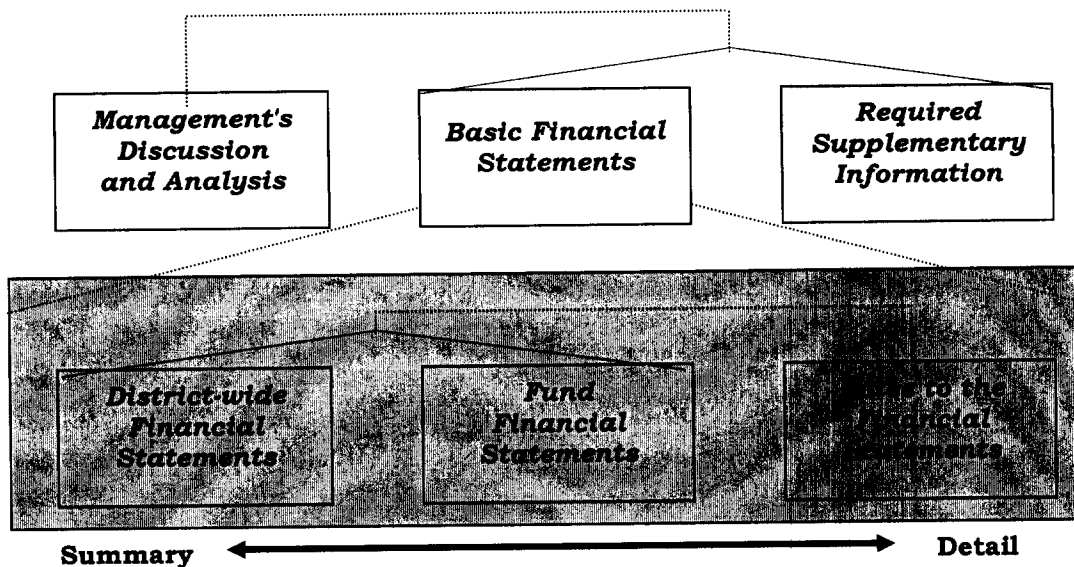


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or

decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund and Special Revenue Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004.

Figure A-3 Combined Statement of Net Assets (Expressed in Thousands)			
	Governmental Activities	Business type Activities	Total District
	June 30, 2004	June 30, 2004	June 30, 2004
Current and other assets	\$ 582	\$ 17	\$ 599
Capital assets	151	1	152
Total assets	733	18	751
Long-term liabilities	7	-	7
Other liabilities	59	49	108
Total liabilities	66	49	115
Net assets			
Invested in capital assets			
net of related debt	151	1	152
Restricted	229	-	229
Unrestricted	287	(32)	255
Total net assets	\$ 667	\$ (31)	\$ 636

The District's combined net assets increased by nearly 21 %, or approximately \$111,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$13,000, or 6% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$153,000, or approximately 109% over the prior year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4 Changes in Net Assets (Expressed in Thousands)			
	Governmental Activities	Business type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$ 27	7	34
Operating grants, contributions and restricted interest	289	19	308
General revenues:			
Property tax	624	-	624
Unrestricted state grants	526	-	526
Unrestricted investment earnings	8	-	8
Other	21	-	21
Total revenues	<u>1,495</u>	<u>26</u>	<u>1,521</u>
Program expenses:			
Governmental activities:			
Instruction	935	-	935
Support services	392	-	392
Non-instructional programs	-	29	29
Other expenses	55	-	55
Total expenses	<u>1,382</u>	<u>29</u>	<u>1,411</u>
Change in net assets	<u>\$ 113</u>	<u>(3)</u>	<u>110</u>

Property tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 94% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$1,542,080 and expenses were \$1,375,390. In a difficult budget year, the District was able to balance the budget by closely monitoring spending.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services	Net Cost of Services
Instruction	\$ 935	670
Support services	392	392
Other expenses	55	3
Totals	<u>\$ 1,382</u>	<u>1,065</u>

- The cost financed by users of the District's programs was \$26,986.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$289,116.
- The net cost of governmental activities was financed with \$624,206 in property and other taxes and \$525,946 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$26,045 and expenses were \$28,603. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, Fox Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$523,124, well above last year's ending fund balances of \$356,974.

Governmental Fund Highlights

- The General Fund balance increased from \$140,294 to \$293,761, due to close scrutiny of the district finances and in spite of the reduction in state aid and existing expenditure commitments of the District.

- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$216,444 in fiscal 2003 to \$266,035 in fiscal 2004.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from (\$28,610) at June 30, 2003 to (\$31,168) at June 30, 2004, representing a decrease of approximately 9%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Fox Valley Community School District did not amend its annual budget.

The District's receipts were \$58,402 less than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$152,430, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 7% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$11,769.

The original cost of the District's capital assets was \$420,138. Governmental funds account for \$418,235, with the remainder of \$1,903 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities	Business type Activities	Total District
	June 30, 2004	June 30, 2004	June 30, 2004
Land	\$ 2	-	2
Buildings	117	-	117
Improvements other than buildings	8	-	8
Furniture and equipment	24	1	25
Totals	<u>\$ 151</u>	<u>1</u>	<u>152</u>

Long-Term Debt

At June 30, 2004, the District had \$6,840 in early retirement debt outstanding. This represents a decrease of approximately 46% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations
(Expressed in Thousands)

	Governmental Activities
	June 30, 2004
Early retirement	\$ 7
Totals	<u>\$ 7</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Fox Valley Community School District has been absorbed by the Van Buren Community School District as of July 1, 2004.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robyn Booth, Board Secretary/Business Manager, Van Buren Community School District, 503 Henry Street, Keosauqua, Iowa 52565.

Basic Financial Statements

Fox Valley Community School District

Exhibit A

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
Other	\$ 511,204	16,876	528,080
Receivables:			
Property tax:			
Delinquent	19,159	-	19,159
Accounts	314	125	439
Due from other funds	51,651	-	51,651
Inventories	-	46	46
Capital assets, net of accumulated depreciation	151,161	1,269	152,430
Total assets	733,489	18,316	751,805
Liabilities			
Excess of warrants issued over bank balance	53,415	-	53,415
Accounts payable	3,622	-	3,622
Due to other funds	2,167	49,484	51,651
Long-term liabilities:			
Portion due within one year:			
Early retirement	5,865	-	5,865
Portion due after one year:			
Early retirement	975	-	975
Total liabilities	66,044	49,484	115,528
Net assets			
Invested in capital assets, net of related debt	151,161	1,269	152,430
Restricted for:			
Management levy	(55,401)	-	(55,401)
Physical plant and equipment levy	266,035	-	266,035
Other special revenue purposes	18,729	-	18,729
Unrestricted	286,921	(32,437)	254,484
Total net assets	\$ 667,445	(31,168)	636,277

See notes to financial statements.

Fox Valley Community School District

Statement of Activities

Year ended June 30, 2004

Functions / Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 845,430	25,327	95,093	-
Special instruction	83,023	-	142,294	-
Other instruction	6,393	1,659	-	-
	<u>934,846</u>	<u>26,986</u>	<u>237,387</u>	<u>-</u>
Support services:				
Instructional staff services	687	-	-	-
Administration services	250,562	-	-	-
Operation and maintenance of plant services	68,523	-	-	-
Transportation services	72,329	-	-	-
	<u>392,101</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>90</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
AEA flowthrough	51,729	-	51,729	-
Depreciation (unallocated)*	2,907	-	-	-
	<u>54,636</u>	<u>-</u>	<u>51,729</u>	<u>-</u>
Total governmental activities	<u>1,381,673</u>	<u>26,986</u>	<u>289,116</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>28,603</u>	<u>7,193</u>	<u>18,783</u>	<u>-</u>
Total	<u>\$ 1,410,276</u>	<u>34,179</u>	<u>307,899</u>	<u>-</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
 Unrestricted state grants
 Unrestricted investment earnings
 Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

* This amount excludes the depreciation that is included in the direct expenses of the various programs

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(725,010)	-	(725,010)
59,271	-	59,271
(4,734)	-	(4,734)
(670,473)	-	(670,473)
(687)	-	(687)
(250,562)	-	(250,562)
(68,523)	-	(68,523)
(72,329)	-	(72,329)
(392,101)	-	(392,101)
(90)	-	(90)
-	-	-
(2,907)	-	(2,907)
(2,907)	-	(2,907)
(1,065,571)	-	(1,065,571)
-	(2,627)	(2,627)
(1,065,571)	(2,627)	(1,068,198)
\$ 553,547	-	553,547
70,659	-	70,659
525,946	-	525,946
7,944	69	8,013
21,142	-	21,142
1,179,238	69	1,179,307
113,667	(2,558)	111,109
553,778	(28,610)	525,168
\$ 667,445	(31,168)	636,277

Fox Valley Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2004

	General	Nonmajor Special Revenue	Total
Assets			
Cash and pooled investments:			
Other	\$ 230,968	280,236	511,204
Receivables:			
Property tax:			
Delinquent	16,222	2,937	19,159
Accounts	314	-	314
Due from other funds	49,484	2,167	51,651
Total assets	\$ 296,988	285,340	582,328
Liabilities and Fund Balances			
Liabilities:			
Excess of warrants issued over bank balance	\$ -	53,415	53,415
Accounts payable	1,060	2,562	3,622
Due to other funds	2,167	-	2,167
Total liabilities	3,227	55,977	59,204
Fund balances:			
Unreserved	293,761	229,363	523,124
Total fund balances	293,761	229,363	523,124
Total liabilities and fund balances	\$ 296,988	285,340	582,328

See notes to financial statements.

Fox Valley Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 21)	\$ 523,124
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	151,161
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,840)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 667,445</u></u>

See notes to financial statements.

Fox Valley Community School District

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General	Nonmajor Special Revenue	Total
Revenues:			
Local sources:			
Local tax	\$ 574,733	96,213	670,946
Tuition	25,154	-	25,154
Other	24,360	6,558	30,918
State sources	619,009	-	619,009
Federal sources	196,053	-	196,053
Total revenues	1,439,309	102,771	1,542,080
Expenditures:			
Current:			
Instruction:			
Regular instruction	812,881	38,415	851,296
Special instruction	82,746	277	83,023
Other instruction	-	6,393	6,393
	895,627	45,085	940,712
Support services:			
Instructional staff services	684	3	687
Administration services	241,197	9,365	250,562
Operation and maintenance of plant services	50,376	17,570	67,946
Transportation services	46,229	17,975	64,204
	338,486	44,913	383,399
Non-instructional programs	-	90	90
Other expenditures:			
AEA flowthrough	51,729	-	51,729
Total expenditures	1,285,842	90,088	1,375,930
Excess of revenues over expenditures	153,467	12,683	166,150
Other financing sources (uses):			
Operating transfers in	-	1,372	1,372
Operating transfers out	-	(1,372)	(1,372)
Total other financing sources (uses)	-	-	-
Net change in fund balances	153,467	12,683	166,150
Fund balances beginning of year, as restated (note 12)	140,294	216,680	356,974
Fund balances end of year	\$ 293,761	229,363	523,124

See notes to financial statements.

Fox Valley Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds (page 23) **\$ 166,150**

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures was less than depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ -	
Depreciation expense	<u>(11,609)</u>	(11,609)

Income surtax not collected several months after year end is not considered available revenue and is deferred in the governmental funds.	(46,740)
--	----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>5,866</u>
------------------	--------------

Change in net assets of governmental activities (page 20)	<u><u>\$ 113,667</u></u>
--	---------------------------------

See notes to financial statements.

Fox Valley Community School District

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 16,876
Accounts receivable	125
Inventories	46
Capital assets, net of accumulated depreciation	<u>1,269</u>
Total assets	<u>18,316</u>
Liabilities	
Due to other funds	<u>49,484</u>
Total liabilities	<u>49,484</u>
Net Assets	
Invested in capital assets, net of related debt	1,269
Unrestricted	<u>(32,437)</u>
Total net assets	<u>\$ (31,168)</u>

See notes to financial statements.

Fox Valley Community School District

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 7,193</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	14,170
Benefits	2,118
Purchased services	4
Supplies	12,153
Depreciation	158
Total operating expenses	<u>28,603</u>
Operating loss	<u>(21,410)</u>
Non-operating revenues:	
State sources	422
Federal sources	18,361
Interest income	69
Total non-operating revenues	<u>18,852</u>
Change in net assets	(2,558)
Net assets beginning of year	<u>(28,610)</u>
Net assets end of year	<u><u>\$ (31,168)</u></u>

See notes to financial statements.

Fox Valley Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 7,068
Cash paid to employees for services	(5,003)
Cash paid to suppliers for goods or services	(9,795)
Net cash used by operating activities	<u>(7,730)</u>
Cash flows from non-capital financing activities:	
State grants received	422
Federal grants received	16,390
Net cash provided by non-capital financing activities	<u>16,812</u>
Cash flows from capital and related financing activities:	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>69</u>
Net increase in cash and cash equivalents	9,151
Cash and cash equivalents at beginning of year	<u>7,725</u>
Cash and cash equivalents at end of year	<u>\$ 16,876</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (21,410)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	1,971
Depreciation	158
Decrease in inventories	391
(Increase) in accounts receivable	(125)
Increase in due to other funds	<u>11,285</u>
Net cash used by operating activities	<u>\$ (7,730)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$1,971 of federal commodities.

See notes to financial statements.

Fox Valley Community School District

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Fox Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through six. The District sends its children in grades seven through twelve to Van Buren County Community School District through a whole-grade sharing arrangement. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Milton and Cantril, Iowa, and the predominate agricultural territory of Davis and Van Buren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Fox Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Fox Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Van Buren County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the

budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Because the District reorganized with Van Buren County Community School District, effective July 1, 2004, the District has no succeeding year property tax receivable.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable, and other receivables not collected within sixty days after year end. At June 30, 2004, the District did not have any deferred revenue.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. At June 30, 2004, the District had no compensated absence liability.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services functional area exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Due From and Due to Other Funds**

The details of interfund receivables and payables at June 30, 2004 are as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary Fund: School Nutrition	\$ 49,484
Special Revenue: Physical Plant and Equipment Levy	General	2,167
Total		<u>\$ 51,651</u>

The General Fund originally paid some costs for the School Nutrition Fund.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Student Activity	Special Revenue: Physical Plant and Equipment Levy	<u>\$ 1,372</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. The District was a participant in ISCAP during the fiscal year, but was not a participant in ISCAP as of June 30, 2004.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	2.603%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (note 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,500	-	-	2,500
Total capital assets not being depreciated	2,500	-	-	2,500
Capital assets being depreciated:				
Buildings	278,119	-	-	278,119
Improvements other than buildings	11,616	-	-	11,616
Furniture and equipment	151,000	-	(25,000)	126,000
Total capital assets being depreciated	440,735	-	(25,000)	415,735
Less accumulated depreciation for:				
Buildings	158,609	2,908	-	161,517
Improvements other than buildings	3,355	577	-	3,932
Furniture and equipment	118,500	8,125	(25,000)	101,625
Total accumulated depreciation	280,464	11,610	(25,000)	267,074
Total capital assets being depreciated, net	160,271	(11,610)	-	148,661
Governmental activities capital assets, net	\$ 162,771	(11,610)	-	151,161

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 1,903	-	-	1,903
Less accumulated depreciation	475	159	-	634
Business type activities capital assets, net	\$ 1,428	(159)	-	1,269

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Operation and maintenance of plant

Transportation

Unallocated

Total depreciation expense - governmental activities

\$ 577
8,125
8,702
2,908

\$ 11,610

Business type activities:

Food service operations

\$ 159

(7) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 12,707	-	5,867	6,840	5,865

Early Retirement – The District offered a voluntary early retirement plan to its certified employees in fiscal year 2000. Eligible employees must have been at least age sixty and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. For individuals accepted into the early retirement plan, the District will pay for the employees group health insurance coverage at the time of their retirement through the month in which the individual qualifies for Medicare coverage. The cost of early retirement payments are recorded as a liability in the Government-wide Financial Statements.

(8) **Operating Lease**

The District is currently leasing a copier. The copy machine lease provides for 60 monthly payments of \$142. Total rent expense for the copy machine for the year ended June 30, 2004 was \$1,567. In May 2004, the lessor took back the copier in exchange for canceling the lease contract. Therefore, the District does not have any future rental payments associated with this lease.

(9) **Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$29,432, \$29,066, and \$62,323, respectively, equal to the required contributions for each year.

(10) **Risk Management**

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (the Association) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to the Association funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004, were \$35,100.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by the Association to protect against large claims, but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. The Association will pay claims incurred before the termination date.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$51,729 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		
	General	Nonmajor Special Revenue	Total
Net assets June 30, 2003, as previously reported	\$ 140,168	210,815	350,983
GASB Interpretation 6 adjustments:	126	5,865	5,991
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 140,294</u>	<u>216,680</u>	356,974
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$280,463			162,771
Long-term Liabilities:			
Compensated absences			(12,707)
Deferred revenue			<u>46,740</u>
Net assets July 1, 2003, as restated			<u>\$ 553,778</u>

(13) Reorganization

In 2003, voters of the District approved a reorganization with Van Buren County Community School District effective July 1, 2004.

Required Supplementary Information

Fox Valley Community School District

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
Receipts:					
Local sources	\$ 680,278	7,137	687,415	750,277	(62,862)
State sources	590,010	422	590,432	697,415	(106,983)
Federal sources	196,053	16,390	212,443	101,000	111,443
Total receipts	1,466,341	23,949	1,490,290	1,548,692	(58,402)
Disbursements:					
Instruction	839,463	-	839,463	1,155,000	315,537
Support services	493,641	-	493,641	408,976	(84,665)
Non-instructional programs	90	14,798	14,888	45,000	30,112
Other expenditures	51,729	-	51,729	55,446	3,717
Total disbursements	1,384,923	14,798	1,399,721	1,664,422	264,701
Excess (deficiency) of receipts under (under) disbursements	81,418	9,151	90,569	(115,730)	206,299
Other financing sources, net	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	81,418	9,151	90,569	(115,730)	206,299
Balances beginning of year	376,371	7,725	384,096	748,964	(364,868)
Balances end of year	\$ 457,789	16,876	474,665	633,234	(158,569)

See accompanying independent auditor's report.

Fox Valley Community School District

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 1,466,341	75,739	1,542,080
Expenditures	1,384,923	(8,993)	1,375,930
Net	81,418	84,732	166,150
Other financing sources, net	-	-	-
Beginning fund balances	376,371	(19,397)	356,974
Ending fund balances	\$ 457,789	65,335	523,124

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 23,949	2,096	26,045
Expenses	14,798	13,805	28,603
Net	9,151	(11,709)	(2,558)
Beginning net assets	7,725	(36,335)	(28,610)
Ending net assets	\$ 16,876	(48,044)	(31,168)

See accompanying independent auditor's report.

Fox Valley Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt a budget amendment.

During the year ended June 30, 2004, disbursements in the support services functions exceeded the amounts budgeted.

Other Supplementary Information

Fox Valley Community School District

Schedule 1

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Playground	Total
Assets					
Cash and pooled investments	\$ -	47	261,683	18,506	280,236
Receivables:					
Property tax:					
Delinquent	576	-	2,185	176	2,937
Due from other funds	-	-	2,167	-	2,167
Total assets	\$ 576	47	266,035	18,682	285,340
Liabilities and Fund Equity					
Liabilities:					
Excess of warrants issued over					
bank balance	\$ 53,415	-	-	-	53,415
Accounts payable	2,562	-	-	-	2,562
Total liabilities	55,977	-	-	-	55,977
Fund equity:					
Unreserved fund balances	(55,401)	47	266,035	18,682	229,363
Total liabilities and fund equity	\$ 576	47	266,035	18,682	285,340

See accompanying independent auditor's report.

Fox Valley Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Playground	Total
Revenues:					
Local sources:					
Local tax	\$ 18,867	-	70,659	6,687	96,213
Other	-	1,659	4,460	439	6,558
Total revenues	18,867	1,659	75,119	7,126	102,771
Expenditures:					
Current:					
Instruction:					
Regular instruction	38,415	-	-	-	38,415
Special instruction	277	-	-	-	277
Other instruction	53	6,340	-	-	6,393
Support services:					
Instructional staff services	3	-	-	-	3
Administration services	959	-	8,406	-	9,365
Operation and maintenance of plant services	17,570	-	-	-	17,570
Transportation services	2,225	-	15,750	-	17,975
Non-instructional programs	90	-	-	-	90
Total expenditures	59,592	6,340	24,156	-	90,088
Excess (deficiency) of revenues over (under) expenditures	(40,725)	(4,681)	50,963	7,126	12,683
Other financing sources (uses):					
Operating transfers in	-	1,372	-	-	1,372
Operating transfers out	-	-	(1,372)	-	(1,372)
Total other financing sources (uses)	-	1,372	(1,372)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(40,725)	(3,309)	49,591	7,126	12,683
Fund balances beginning of year, as restated	(14,676)	3,356	216,444	11,556	216,680
Fund balances end of year	\$ (55,401)	47	266,035	18,682	229,363

See accompanying independent auditor's report.

Fox Valley Community School District

Schedule 3

Schedule of Changes
in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary	\$ 2,207	2,976	5,183	-
Interest	1,149	55	1,157	47
Total	<u>\$ 3,356</u>	<u>3,031</u>	<u>6,340</u>	<u>47</u>

See accompanying independent auditor's report.

Fox Valley Community School District

Schedule 4

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Two Years

	Modified Accrual Basis	
	2004	2003
Revenues:		
Local sources:		
Local tax	\$ 670,946	676,314
Tuition	25,154	38,104
Other	30,918	31,161
State sources	619,009	747,612
Federal sources	196,053	114,785
Total	<u>\$ 1,542,080</u>	<u>1,607,976</u>
Expenditures:		
Instruction:		
Regular instruction	\$ 851,296	789,103
Special instruction	83,023	74,433
Other instruction	6,393	12,132
Support services:		
Student services	-	2,534
Instructional staff services	687	1,962
Administration services	250,562	210,116
Operation and maintenance of plant services	67,946	84,844
Transportation services	64,204	46,463
Central support services	-	167
Non-instructional programs	90	159
Other expenditures:		
Facilities acquisition	-	14,038
AEA flowthrough	51,729	55,564
Total	<u>\$ 1,375,930</u>	<u>1,291,515</u>

See accompanying independent auditor's report.

PEAK & GERDES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
103 BENTON AVENUE EAST
ALBIA, IOWA 52531

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Fox Valley Community School District:

We have audited the financial statements of the Fox Valley Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Fox Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-G-04, II-J-04, II-K-04 and II-L-04 in the accompanying Schedule of Findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fox Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Fox Valley Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe all items are material weaknesses. Prior year reportable conditions have not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fox Valley Community School District and other parties to whom Fox Valley Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Fox Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Gerdes, LLP
Certified Public Accountants

September 17, 2004

FOX VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one employee receives money, deposits money to the bank, posts the cash receipts to the receipts journal, prepares the checks, posts the checks to the cash disbursements journal, posts the general ledger and reconciles the bank account.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the District should continue to review its operating procedures to obtain maximum control possible under the circumstances.

Response - We will continue to investigate alternatives.

Conclusion - Response accepted.

I-B-04 Bank Reconciliations/Completeness of Transactions - The District does not perform bank reconciliations for its bank accounts. Instances were noted where some receipts and disbursements were not posted to the general ledger. Other instances were noted where the same receipts and disbursements were posted to the general ledger twice, resulting in overstatements. Also, several instances were noted where receipts and disbursements were misclassified on the general ledger. In addition, void disbursements were not always posted to the general ledger. As a result, the District is unable to determine its book balance.

Recommendation - The District should reconcile, on a monthly basis, the bank balance to the book balance, and any differences should be investigated in a timely manner. This reconciliation, as well as the documentation needed to support this reconciliation, should be submitted to the Board of Education on a monthly basis.

Response - The Van Buren School District currently does this.

Conclusion - Response accepted.

I-C-04 Fixed Assets Records - A record of fixed assets is not maintained.

Recommendation - A complete record of fixed assets should be maintained and kept current to facilitate the proper insurance, maintenance and safeguarding of these assets. An inventory of all property and equipment should be taken at least once each year and compared to the fixed assets records. Also, identifying information should be promptly placed on the assets when received.

Response - The Van Buren School District has fixed asset records.

Conclusion - Response accepted.

FOX VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2004

I-D-04 Disbursements – We noted that the District did not consistently cancel paid invoices. The District did not retain all void checks, and other void checks, which were retained, were not properly mutilated. Also, there was not always documented receipt of merchandise or service prior to payment of the invoices. Instances were noted where invoices could not be located and in some cases the claims were paid off a statement and not an invoice.

Recommendation – We recommend the District cancel all paid invoices, and retain and mutilate all void checks. In addition, the District should ensure that all merchandise and services are received prior to payment of the invoice. Also, all invoices should be retained, and all claims be paid off a statement and not an invoice.

Response – We will review the above and take action as necessary.

Conclusion – Response accepted.

I-E-04 Receipts – Pre-numbered receipt slips were not issued for receipts. An instance was noted where more monies were deposited to the nutrition fund than the related dollar amount of nutrition tickets issued. In addition, receipts are not timely deposited.

Recommendation – The District should issue pre-numbered receipt slips for all receipts. In addition, the District should implement procedures to ensure the dollar value of nutrition tickets issued equals the dollar value of monies collected. Also, receipts should be timely deposited.

Response – We will implement these recommendations.

Conclusion – Response accepted.

I-F-04 Payroll – Some W4's and I-9's could not be located. Some non-exempt employees were not required to keep timesheets, and when timesheets were kept, there was no documented approval of the timesheet by a supervisor.

Instances were noted where employees appeared to be over or under paid. The IRS forms 941, W3 and W2's were inaccurate. In addition, a non-exempt employee was not paid for hours worked in excess of 40 hours per week. There was not always support for employee payroll deductions.

Recommendation – The District retain all payroll related records. We also recommend that all non-exempt employees be required to keep timesheets, and that all timesheets be approved by a supervisor prior to payment. The District should also implement procedures to ensure all employees are paid the correct amount, and that all payroll withholdings are supported by adequate documentation. Also, procedures should be implemented to ensure all payroll forms submitted to the IRS are accurate, and reconcile to the accounting records of the District. In addition, all non-exempt employees should be paid for hours worked in excess of 40 hours per week.

Response – We will attempt to implement the above recommendations.

Conclusion – Response accepted.

FOX VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements for the year ended June 30, 2004, exceeded the certified budget amounts in the support service functional area. The notice of public hearing on the budget was not published between ten and twenty days prior to the public hearing, as required per the Code of Iowa.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, procedures should be implemented to ensure budget publication requirements are met pursuant to the Code of Iowa.

Response - We will implement these recommendations.

Conclusion - Response accepted.

II-C-04 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Board Minutes - No transactions requiring Board approval, which had not been approved by the Board were noted. In some instances, the individual claims allowed and the purpose of the claim were not published in the newspaper as required by Chapter 279.35 of the Code of Iowa. In addition, some board minutes were not timely published. Also, some of the board minutes were not signed by the Board President.

Recommendation - We recommend that all of the claims allowed and the purpose of the claim, as well as the board minutes be published as required by the Code of Iowa. Furthermore, all board minutes should be signed by the Board President and Secretary.

Response - We will implement these recommendations.

Conclusion - Response accepted.

FOX VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2004

- II-H-04 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2003 was overstated by 4 students. In addition, line 9 was overstated by 1 student, and line 12 overstated by .2 students.
- Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Department of Management.
- Conclusion – Response accepted.
- II-I-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-04 Certified Annual Report - The Certified Annual Report was filed at least six weeks after the due date.
- Recommendation – The Certified Annual Report should be filed by the due date in the future.
- Response – We will file the Certified Annual Report timely in the future.
- Conclusion – Response accepted.
- II-K-04 Financial Condition – The District had an unreserved retained earnings Nutrition Fund deficit of \$31,168 at June 30, 2004. In addition, the Special Revenue – Management Levy Fund had a deficit fund balance of \$55,401 at June 30, 2004.
- Recommendation – The District should continue to monitor these funds and investigate alternatives to eliminate these deficits.
- Response – We are aware of the situation and will take action as necessary
- Conclusion – Response accepted.
- II-L-04 IRS Form 1099 – We noted instances in which the District failed to file IRS 1099 forms.
- Recommendation – The District implement procedures to ensure all IRS 1099 forms are filed in the future
- Response – We will implement the recommendation.
- Conclusion – Response accepted.